



ASRS REPORT

ARIZONA STATE RETIREMENT SYSTEM

Paul Matson, Director
3300 North Central Avenue, Phoenix, Arizona 85012
www.azasrs.gov

ASRS Board of Trustees

Mr. David Byers, Chair
Mr. Thomas J. Connelly, Vice Chair
Mr. Jaime Gutierrez
Mr. Christopher Harris
Mr. James McLaughlin
Dr. Keith Meredith
Mr. Michael Townsend
Mr. Lawrence Trachtenberg
Mr. Steven Zeman

January 2010

This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website.

ASRS News

ASRS releases 56th Annual Report

The Arizona State Retirement System is pleased to release its 2009 Comprehensive Annual Financial Report. The 148-page report provides detailed information on finances, investments, actuarial data and general statistics of the agency for the fiscal year ending June 30, 2009.

Outside auditors charged with reviewing the report confirmed that the agency is operating up to industry standards, as no findings or recommendations to the ASRS regarding its internal controls, accounting, administrative or operating processes were warranted, they noted.

We believe the report continues to meet the standards and requirements for reporting as set forth by the Government Finance Officers Association of the United States and Canada. ASRS annual reports have received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the past 20 years. This year's report will again be submitted for the GFOA's Certificate of Achievement.

Statistics in the report reflect the year ended June 30, 2009. They show:

- ASRS membership totaled a record 556,016, including 99,125 retirees and survivor beneficiaries who are receiving lifelong monthly benefits.
- There are 223,323 actively contributing members working for over 700 separate employers.
- The average monthly benefit paid was just over \$1,600.
- The ASRS paid out more than \$2 billion in benefits to retirees and beneficiaries.
- The ASRS portfolio totaled approximately \$21 billion.
- The rate of return on the ASRS total fund was -18.1 percent.

Fiscal year-end data is used to calculate ASRS contribution rates. It has been determined that contribution rates for the 2010 fiscal year, which begins July 1, 2010, will be 9.85 percent for both employee and employer. This is a slight increase from the current rate of 9.40 percent and is due largely to rates of return over the past several years.

In keeping with the State of Arizona's emphasis on electronic business and cost savings on printing, the annual report is being made available in electronic format on our website.

To view the entire report, please visit the ASRS website at www.azasrs.gov under the ASRS Central category, Publications section.

Legislative Update

The Arizona Legislature has opened the 49th Legislature-Second Regular Session and the ASRS will again be tracking retirement-related legislation through our weekly Bill Tracker. Here are highlights of four bills that would affect the ASRS if passed into law.

House Bill 2066 – This is a plan design change that will affect only new members to the ASRS, whose membership begins on or after July 1, 2011. The legislation would:

- Modify one of the Normal Retirement Date definitions from 80 to 85 points (age + years of service). Because of increased life expectancies, members who retire in the future can expect to receive monthly benefits over a longer period of time. By extending the retirement date definition from 80 to 85 points, the total lifetime benefit is more accurately captured from contributions made while working.
- Modify the Average Monthly Compensation used in a retiring member's retirement benefit calculation from the average of the highest 36 months in the last 120 months of employment to the average of the highest 60 months in the last 120 months. This provides a more accurate ending salary average to base the lifetime benefit and helps prevent "salary spiking" which can lead to an inflated benefit.

House Bill 2389 – This is also a plan design change that incorporates the above modifications, plus, for members whose membership begins on or after July 1, 2011, the following:

- Eliminates the employer contribution portion when a member refunds their ASRS account balance. The member would still be entitled to contributions they made, plus interest earned.

House Bill 2390 – This bill affects the ASRS return to work statutes. It would:

- Beginning July 1, 2011, requires employers to pay an Alternate Contribution Rate (ACR) for members who return to work in any capacity and in a position ordinarily filled by an employee of the employer. The ACR will be paid for as long as that member stays in service and for any future employment periods during which the member does not suspend their benefits and resume active membership.
- The ACR will be calculated as the greater of 2% or two times the "deficit" payment (the Employer ASRS Past Service Funding Requirement Rate plus the Employer LTD Past Service Funding Requirement Rate).
- The ACR will be calculated annually by the ASRS actuary, and shall be payable on the compensation, leasing fee, or independent contracting fee paid by the employer.
- The ASRS will determine how the ACR is paid and submitted to the ASRS. Late contributions will be subject to interest (8%) and may be recovered in court.
- Employers are required to submit data and reports as required by the ASRS to determine compensation of leased and contract retirees and the usage of the return to work program.

House Bill 2065 – This bill affects the ASRS long-term disability appeals process. It would:

- Permit a person appealing an ASRS decision under the Long Term Disability program to request the ASRS Board of Trustees hear the appeal in executive session rather than in a public hearing. This option would afford members more privacy in discussing sensitive LTD issues.

NOTE: These provisions and others that would affect the ASRS and members are contained in a number of pieces of legislation introduced in both the House and Senate. To follow the progress of retirement-related legislation, view the ASRS Bill Tracker on our website at www.azasrs.gov, ASRS Central section, Legislation category.

Employer News

Basics for Employers workshops scheduled

The Employer Relations department is again hosting its Basics for Employers workshops for employer staff members.

These workshops are designed to assist staff in human resources, personnel, finance or other areas who have as part of their duties responsibilities with the ASRS. Topics include determining membership, the ASRS long term disability program, reporting contributions, retiree return to work guidelines, the ASRS health insurance premium benefit program and more.

Workshops are scheduled at the ASRS Phoenix office on January 28 and March 24, and in Tucson on February 23. To learn more, and to register, please contact the ASRS at EmployerRelations@azasrs.gov.

Member Meetings

Educational Meetings Offered to Inform, Assist Members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Know Your Benefits

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

Getting Ready for Retirement

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filling out the proper paperwork.

Know Your Insurance

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet providers, learn about the ASRS Premium Benefit program, and other benefits available to you.

Visit our website and click on the "Member Education" section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, February 19, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

External Affairs Committee

Friday, February 5, 10 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Tuesday, February 16, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Operations Committee

Thursday, February 18, 10:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.